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October 17, 2011

Re: Carbon Fund Risks Undermining REDD Readiness

Dear Participants Committee Members and Carbon Fund Participants:

We, the undersigned organizations, are writing to express our concern that the Forest Carbon Partnership Facility (FCPF) is not properly sequencing the Readiness and Carbon Funds. Pushing ahead with the Carbon Fund while criteria and guidelines for the evaluation of the Readiness-Package (R-Package) have yet to be developed and only a few countries have even begun implementing activities supported by the Readiness Fund will undermine the effectiveness of both Funds in contributing to reductions in deforestation and forest degradation. The current rush to fully operationalize the Carbon Fund may exclude many REDD countries that are participating in the FCFP but are still in the early stages of implementing readiness activities.

Appropriate sequencing of actions is necessary to ensure that improvements in forest governance form the building blocks for forest sector reforms necessary to ensure lasting reductions in deforestation and forest degradation. Whilst the need for a phased approach to REDD was widely acknowledged early in the REDD debate and in the Cancun Agreement¹, subsequent pressure for results has seen a compressing of the three phases so that all phases can now happen simultaneously. It is critical that countries receive endorsement of their R-Package according to a comprehensive and strong set of criteria and a rigorous review process prior to consideration of emissions reductions programs. This will ensure that the necessary improvements in forest governance and adherence to social and environmental safeguards, including respect for the rights of indigenous peoples and local communities, are achieved.

Before moving forward with proposals for programs in the Carbon Fund, REDD countries need to be aware of what is expected of them at mid-term review and for approval of their R-Package. Participants and observers have previously noted the difficulty in proceeding efficiently and predictably through the stages of the Readiness Fund when requirements either are not made clear from the outset or are changed repeatedly. Clearly articulating transparent decision gates through which REDD countries proceed if they meet agreed standards is an important lesson learned from the Readiness Fund. Establishing clear standards and criteria for assessing progress towards readiness will contribute to a more transparent and efficient approval process, and help to ensure that emissions reductions programs are effective and sustainable.

¹ Paragraph 73 of UNFCCC Decision 1/CP.16 states that REDD+ activities "should be implemented in phases beginning with the development of national strategies or action plans, policies and measures, and capacity-building, followed by the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified."

The need for REDD+ countries to make sufficient progress towards achieving readiness before accessing the Carbon Fund has been recognized in the FCPF Charter, which states that REDD countries must submit an R-Package for endorsement by the Participants Committee before a country can submit an Emission Reductions Program to the Carbon Fund.² However, the FCPF management is not giving adequate attention to ensuring that the process of elaborating R-Package moves forward according to the timeframe outlined at PC 9 in June 2011. The focus of the FCPF management should remain on clarifying the criteria for R-package evaluation before soliciting submissions that, according to the charter, should only come from countries with an endorsed R-Package. Access to the Carbon Fund can serve as an incentive for countries to make progress in achieving national-level readiness, but only if sequenced correctly and linked to the outcomes of the readiness phase.

Lastly, an exclusive focus on generating compliance-grade carbon credits would limit the opportunities for generating learning and maximizing country participation. The growth in carbon markets has stalled in the past 12 months,³ with carbon recently declared the world's worst performing commodity.⁴ As forests are excluded from the EUETS, which represents 98% of the global compliance market⁵, there is currently no large-scale market for forest carbon credits. The Carbon Fund should be wary of preparing countries for a market in forest carbon credits which may not materialize. Alternate performance metrics would increase the number of eligible REDD countries and enable the Carbon Fund to support a broader range of policies and measures with the potential of contributing to emissions reductions.

Recommendations:

- The content and process for evaluating R-Package must be approved by the Participants Committee before the Carbon Fund solicits emission reduction program submissions.
- The FCPF must ensure that effective consultations are held with civil society organizations and rights-holders in determining the content and process for evaluating the R-Package.
- The Carbon Fund must maintain the flexibility to finance the broad suite of possible policies and measures identified during the readiness phase as having mitigation potential.
- The Carbon Fund should ensure that its operations do not pre-empt or undermine guidance and decisions coming out of the UNFCCC.
- As requested in the "Indigenous Peoples Action Plan regarding the FCPF" at the Global Dialogue of Indigenous Peoples on the Forest Carbon Partnership Facility (FCPF) held in Gaigirgurub, Guna Yala, Panama, September, 2011, the FCPF must carry out a thorough information dissemination to and consultations with indigenous peoples on the Carbon Fund set up under the FCPF to ensure that their concerns and issues as rights holders are fully accounted for.
- Any additional pledges to the Carbon Fund should be conditioned on fulfilling the above recommendations.

Endorsed by:

Les Amis de la Nature et des Jardins (ANJ), DRC

Asia Indigenous Peoples Pact (AIPP)

Arbeitsgemeinschaft Regenwald und Artenschutz (ARA), Germany

² Section 6.4 (b) of the FCPF Charter reads: "*The REDD Country Participants whose Readiness Package has been endorsed by the Participants Committee may submit one or more Emission Reductions Programs to the Facility Management Team for consideration by the Carbon Fund Participants in accordance with Article 12. A public or private entity from such a REDD Country Participant may also submit an Emission Reductions Program provided that such entity is approved by the REDD Country Participant.*"

³ World Bank Environment Department. "State and Trends of the Carbon Market, 2011." Washington DC, June 2011.

⁴ Wynn, Gerard. "Carbon Offsets Near Record Low, Worst Performing Commodity" Reuters, August 8 2011.

⁵ World Bank Environment Department. "State and Trends of the Carbon Market, 2011." Washington DC, June 2011.

Bank Information Center, US
Brainforest, Gabon
CAPP- Ecological Justice, Indonesia
Civic Response, Ghana
ClientEarth, UK
COECOCEIBA, Costa RICA
Environmental Investigation Agency, US
ERND Institute, Democratic Republic of Congo
Euronatura - Centro para o Direito Ambiental e Desenvolvimento Sustentado, Portugal
Forest Management Trust, US
Forest Peoples Programme, UK
Forum pour la gouvernance et les droits de l'homme (FGDH), DRC
Friends of the Earth US
Global Witness, UK
Greenpeace International
Groupe de Travail Climat REDD (GTCCR), DRC
Indigenous Environment Network, US
Ona Keto Peoples Foundation, Papua New Guinea
Managalas Development Foundation, Papua New Guinea
Partners With Melanesians, Papua New Guinea
PNG Ecoforestry Forum, Papua New Guinea
Rainforest Foundation Norway
Rainforest Foundation UK
Reseau des Communicateurs de l'Environnement (RCEN), DRC
Urgewald, Germany
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